

AGREEMENT

ECS File: IGA 76-01

FOR

EXCHANGE OF WATER

THIS AGREEMENT, entered into as of the 27 day of AUGUST, 1976, between the ARIZONA DEPARTMENT OF TRANSPORTATION, HIGHWAYS DIVISION, hereinafter referred to as "ADOT", and the SALT RIVER VALLEY WATER USERS' ASSOCIATION, hereinafter referred to as "ASSOCIATION".

RECITALS

This Agreement is made with regard to the following facts, among others:

1. From time to time, ADOT constructs or causes the construction of highways and other improvements within the State of Arizona for which water is needed for dust control, compaction and other construction uses.
2. It is more economical to secure construction water supplies from sources proximate to the construction site.
3. Often the most proximate sources of water are surface flows of the Salt and Verde Rivers and their tributaries, the waters of which have been appropriated by and for, among others, the ASSOCIATION and its shareholders for use on lands within the Salt River Reservoir District.
4. The ADOT desires and the ASSOCIATION is willing to establish a source of groundwater which may be exchanged by ADOT and/or its agents and contractors for appropriated surface waters of the Salt and Verde Rivers for construction uses, all pursuant to the terms and provisions of this Agreement.

## AGREEMENT

The ADOT and the ASSOCIATION hereby agree to the exchange of groundwater by the ADOT, or its authorized agents or contractors, for surface waters of the ASSOCIATION and its shareholders pursuant to the following terms and provisions:

1. All groundwaters to be exchanged shall be from a source located outside the Salt River Reservoir District. To be eligible for exchange, such source shall be first approved in writing by the ASSOCIATION.

2. Any and all exchanges of groundwater for surface water pursuant to this Agreement, shall be made under a permit to be secured by the ADOT, or its authorized agents or contractors, from the ASSOCIATION in accordance with its established procedure therefor. Such permit shall be secured prior to the withdrawal and use of any surface waters by the ADOT, or its authorized agents or contractors, and shall specify, among other things, the amount, place(s) and date(s) surface waters are to be withdrawn and used. Neither the ADOT nor its authorized agents or contractors shall withdraw and use any surface waters of the ASSOCIATION and its shareholders without a permit therefor from the ASSOCIATION.

3. All surface waters withdrawn and used by the ADOT, or its authorized agents or contractors, pursuant to permit of the ASSOCIATION shall be replaced with a like amount of groundwater from the approved ADOT source. The delivery of such groundwater shall be made at such times as are convenient to the ASSOCIATION, and may be accomplished by the operation of the ADOT source well by ASSOCIATION employees.

4. The ADOT shall contractually obligate its agents and contractors to be authorized for the exchange of water pursuant to this Agreement, to first secure a permit from the ASSOCIATION for the exchange of water prior to the withdrawal and use of surface waters and to pay in advance all costs and charges associated therewith.

5. The ADOT agrees to keep and maintain the exchange source well and delivery facilities in good working and operating condition during the term of this Agreement and to pay all of the costs and expenses associated therewith. The ADOT agrees further to furnish access to the ASSOCIATION for its operation of the exchange source well.

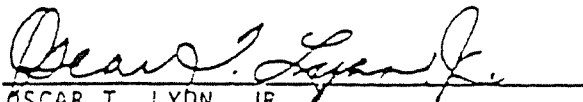
6. ADOT reserves the right to provide irrigation water from the same well to the Roosevelt Water Conservation District in exchange for water used from the Roosevelt Water Conservation District's facilities.

7. This Agreement shall continue in full force and effect until terminated by mutual agreement of the Parties.

IN WITNESS WHEREOF, this Agreement was executed by the Parties as of the date first above written.

ARIZONA DEPARTMENT OF TRANSPORTATION  
HIGHWAYS DIVISION

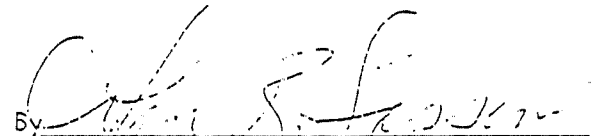
WM. N. PRICE  
Assistant Director  
and State Engineer

  
OSCAR T. LYON, JR.  
Chief Deputy State Engineer

Recommended by:

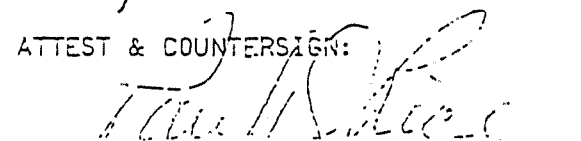
  
Utility and Railroad  
Engineering Services

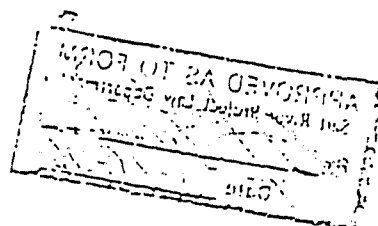
SALT RIVER VALLEY WATER USERS'  
ASSOCIATION

  
By \_\_\_\_\_  
Vice President

Accepted this 18th day  
of August, 1976

ATTEST & COUNTERSIGN:

  
Secretary



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FOR  
EXCHANGE OF WATER

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ARIZONA DEPARTMENT OF TRANSPORTATION  
HIGHWAYS DIVISION

WM. N. PRICE  
Assistant Director  
and State Engineer

Oscar T. Lyon, Jr.  
OSCAR T. LYON, JR.  
Chief Deputy State Engineer

Recommended by:

E. P. Brown  
Utility and Railroad  
Engineering Services

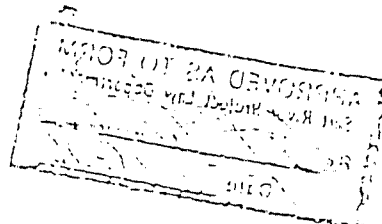
SALT RIVER VALLEY WATER USERS'  
ASSOCIATION

By [Signature]  
Vice President

Accepted this 18<sup>th</sup> day  
of August, 1976

ATTEST & COUNTERSIGN:

[Signature]  
Secretary



\*\*\* DRAFT \*\*\*  
PRINCIPLES FOR A WATER EXCHANGE AGREEMENT  
BETWEEN THE ARIZONA DEPARTMENT OF TRANSPORTATION  
AND  
THE SALT RIVER PROJECT  
August 6, 1992

1. This agreement for water exchanges, between the Arizona Department of Transportation ("ADOT") and the Salt River Project ("SRP"), is based on the following premises, among others:
  - a. ADOT has indicated an interest in a water exchange agreement with SRP whereby ADOT can take delivery of:
    - i. Salt River or Verde River water for highway, bridge, and rest area construction purposes. Such an exchange arrangement would provide a more economical water supply for such purposes, as opposed to other water supply options; or
    - ii. SRP water from SRP's water delivery system for use in the construction or improvement of highways in or near Maricopa County on off-Project or non-member land.
  - b. On August 27, 1976, SRP and ADOT entered into a water exchange agreement that allows ADOT to divert SRP surface waters, with prior approval, for highway construction purposes on non-member or off-Project land in exchange for off-Project groundwater. SRP prefers that water exchange agreements with ADOT provide CAP water as the primary payback water source.
  - c. SRP and ADOT desire that such water exchange concepts, previous water exchange agreements, and other water exchange concepts as they may arise, be consolidated into a single water exchange agreement.
2. Definitions:

**Authorized Representative ("AR"):** Representatives of the parties appointed to administer the provisions of this agreement.

**Payback Water:** Water provided by ADOT to SRP for the purpose of eliminating water debits accrued, pursuant to this agreement.

**SRP Water:** Salt River water, Verde River water, or groundwater that originates from the Salt River Reservoir District, and to which SRP shareholders have the right to use.

**Upfront Water:** SRP water delivered to ADOT, or ADOT's

authorized contractor, for use pursuant to this agreement. Such deliveries shall cause ADOT to accrue a water debit.

**Water Debit:** The amount of upfront water delivered to ADOT, plus water losses (if applicable) for which ADOT must provide payback water, pursuant to this agreement.

3. This agreement shall become effective upon its execution by the parties. A party may terminate this agreement upon 30 days written notice to the other party.
4. Upon execution of this agreement, any previous water exchange agreements between the parties shall become invalid.
5. Within 30 days of agreement execution, each party shall provide the names of two individuals to the other party who shall serve as the AR and alternate AR.
6. Upon official notification of the AR's pursuant to item #5, ADOT may request the use of upfront water. In making such a request to SRP's AR, ADOT will provide the following information, except as provided herein:
  - a. Point at which upfront water will be diverted from SRP (i.e. creek, river, SRP canal etc.).
  - b. Total amount of upfront water, in acre feet, that will be diverted.
  - c. Time frame of upfront water diversion.
  - d. Type and location of use.
7. Within three (3) business days of a request for upfront water, SRP's AR shall either grant or deny the request. If the request is granted, SRP will provide ADOT, or its authorized contractor, with a permit. ADOT, or its authorized contractor, may then proceed to take delivery of upfront water as specified in the permit.
8. The water debit accrual rate shall be one acre foot plus appropriate water losses (see item #9) for each one acre foot of upfront water diverted, except as otherwise provided in this agreement.
9. If the point at which ADOT takes delivery of upfront water, pursuant to item #6.a, is SRP's water delivery system (i.e. canals), ADOT shall:
  - a. Pay SRP \$11.60 for each acre foot diverted, plus water losses as described in item #9; and
  - b. Accrue a water debit that includes water losses.



10. If the point at which ADOT takes delivery of upfront water, pursuant to item #6.a, is the Salt River above Stewart Mountain Dam, a Salt River Reservoir, or Tonto Creek, ADOT shall:
  - a. Accrue a water debit for such upfront water diversions; and
  - b. Pay SRP for the reduced power revenues associated with such upfront water diversions that exceed 100 AF in any year. The payment for this compensation shall be calculated as follows:

(A/B) X (C/D) X E, where:

A	=	Amount of kilowatt-hours of energy generated by SRP hydrogenerators during the year, excluding pumped storage generation.
B	=	Amount of water released (AF) from Stewart Mountain Dam during the year, exclusive of spillway discharges.
C	=	Amount of upfront water diverted by ADOT (AF)(in excess of 100 AF) from the Salt River above Stewart Mountain Dam, a Salt River Reservoir, or Tonto Creek during the year.
D	=	Total kilowatt-hours of power generated and purchased by SRP during the year.
E	=	Gross power revenue of SRP during the year, including the value of power used by SRP for SRP's own purposes.
11. Pursuant to item #9, water losses shall be assessed at the rate of 0.15% per acre foot per mile as measured from the CSIF to the point at which upfront water was diverted. This water loss rate shall be adjusted every April based on average annual water losses of the SRP water delivery system for the preceding five years.
12. Payback water shall be CAP water, or as agreed between the AR's.
13. Upon a request for payback water from SRP, ADOT shall:
  - a. Cause the delivery of such payback water to SRP at a point designated by SRP. If the designated point is the CAP/SRP Interconnection Facility ("CSIF"), SRP entitlement to the CSIF shall be used to deliver such

- payback water to SRP; and
- b. Pay SRP \$7.50 per each acre foot of payback water delivered to SRP at the CSIF.
14. ADOT shall pay SRP an annual fee of \$1,816 to administer the provisions of this agreement.
15. Reporting and Notification Requirements:
- a. Upon receiving a water exchange permit from SRP pursuant to item #7, ADOT, or its authorized contractor, shall report upfront water diversions to SRP within the reporting period specified in the permit.
  - b. ADOT, or its authorized contractor, shall notify SRP's AR within 30 days (hereinafter "notification period") following the completion of a project to which a water exchange permit was granted.
  - c. If ADOT fails to report on upfront water use as specified in the permit, or fails to notify SRP of such project completion within the notification period, ADOT shall pay SRP \$100 for each day beyond the reporting and/or notification period(s).
16. The fees described in item #9.a, 13.b, 14, and 15.c shall be adjusted annually using the Implicit Price Deflator of the Gross Domestic Product.
17. SRP shall have sole/exclusive discretion to request or deny payback water at its convenience, including a request after the termination of this agreement, with consideration for operational constraints on the CAP and/or SRP water delivery system(s), water quality concerns, and related issues.
18. ADOT shall pay for all costs associated with acquiring payback water delivered to SRP.
19. SRP neither guarantees nor warrants the quality of upfront water that ADOT takes delivery of, pursuant to this agreement, and ADOT releases SRP from liability for claims related to water quality.
20. ADOT shall indemnify SRP from any liability resulting from water quality degradation due to commingling of payback water into the SRP water delivery system, pursuant to this agreement. ADOT shall defend SRP against all claims for any such losses.

ATTORNEY GENERAL  
TRANSPORTATION SECTION

MEMORANDUM

August 18, 1992

TO: E. JACK HAMMITT  
Joint Project Administrator,  
Assistant Contract Manager  
616E

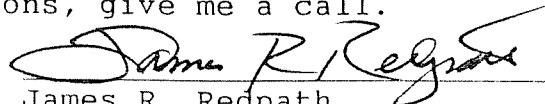
FROM: JAMES R. REDPATH  
Assistant Attorney General

RE: Proposed Salt River Project Master Agreement  
A.G. Contract No.: KR920931TRN  
ECS File: JPA 92-36  
Project: F-026-1-520/H 2955 01C  
Section: Salt River Canyon Rest  
Area Landscape Irrigation Water

I have reviewed the proposal from Salt River Project and can see no advantage to the State to enter into this agreement. In addition, I see a substantial disadvantage in that there are significant charges and costs which would be incurred that we are not now paying.

I believe that we need to try to gather all the interested parties within the department to sit down and discuss this problem and try to find out how it arose and why it arose. Apparently we have been operating satisfactorily since 1976 satisfactory under an agreement that if terminated and new terms imposed would substantially increase the costs of obtaining water from the Salt River Project. We should not sit back and wait for the Salt River Project to continue to press this matter, but should attempt to find out within the department why and how it came about.

If you have any questions, give me a call.

  
James R. Redpath  
Assistant Attorney General

JRR:ls  
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